

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 ABF-01 (ISO) W

----- 117988

R 211637Z NOV 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4565

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 19043

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING NOVEMBER
20)

REF.: BONN 11652

1. FOREIGN EXCHANGE MARKET: THE DOLLAR STRENGTHENED
AGAINST THE DEUTSCHEMARK BUT LOST SOME OF THE GAINS ON
NOVEMBER 20. THE SPOT DOLLAR RATE REACHED ON NOVEMBER
18 WAS THE HIGHEST SINCE OCTOBER 6. THE GERMAN
FINANCIAL PRESS ATTRIBUTED THE DOLLAR STRENGTHENING TO
INCREASED OPTIMISM REGARDING THE FINANCIAL SITUATION
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OF THE CITY OF NEW YORK AND FAVORABLE U.S. BALANCE OF

PAYMENTS FIGURES. THE HANDELSBLATT WAS THE ONLY MAJOR PAPER WHICH ATTRIBUTED THE DOLLAR STRENGTHENING TO THE OUTCOME OF THE RAMBOUILLET SUMMIT. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

FORWARD DOLLARS
(DISCOUNTS IN PCT.P.A.)
SPOT DOLLARS ONE-MONTH THREE-MONTH

| NOV.13 | DM 2.5638 | -1.9 | -2.5 |
|--------|-----------|------|------|
| 14 | 2.5855 | -2.2 | -2.5 |
| 17 | 2.5996 | -2.4 | -2.7 |
| 18 | 2.6075 | -2.2 | -2.6 |
| 20 | 2.5935 | -2.3 | -2.7 |

2. MONEY MARKET: THE GERMAN CALL MONEY MARKET TIGHTENED SOMEWHAT WITH CALL MONEY AGAIN TEMPORARILY REACHING THE 3 1/2 PERCENT REDISCOUNT RATE. THE SLIGHT TIGHTENING MAY BE ATTRIBUTABLE TO THE MINOR MID-MONTH TAX DATE. DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

| NOV.13 | 3.2-3.5 | 3.5-3.8 | 4.0-4.2 |
|--------|---------|---------|---------|
| 14 | 2.9-3.2 | 3.5-3.6 | 3.9-4.1 |
| 17 | 3.3-3.5 | 3.5-3.6 | 3.9-4.1 |
| 18 | 3.5-3.6 | 3.5-3.7 | 4.0-4.2 |
| 20 | 3.0-3.3 | 3.5-3.7 | 4.0-4.2 |

3. DM CREDIT FOR NORTH VIETNAM: ACCORDING TO A HANDELS-BLATT REPORT THE SOVIET BANKQUE COMMERCIALE POUR L'EUROPE DU NORD, LEADING AN INTERNATIONAL BANKING CONSORTIUM, IS ARRANGING A DM 70 MILLION CREDIT FOR NORTH VIETNAM. THE INTEREST RATE IS EXPECTED TO BE 1.75 PERCENT ABOVE THE LONDON INTER-BANK RATE AND THE MATURITY 5 YEARS.

4. BOND MARKET: AFTER ITS NOVEMBER 17 MEETING THE UNCLASSIFIED

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CENTRAL CAPITAL MARKET COMMITTEE STATED THAT IT NOW CONSIDERS IT POSSIBLE TO OFFER A PUBLIC LOAN DURING THE REMAINDER OF 1975. DETAILS ON THE ISSUE, HOWEVER, HAVE NOT BEEN ANNOUNCED. THIS LOAN WOULD END THE MORATORIUM ON THE ISSUE OF DOMESTIC BONDS WHICH WAS INTRODUCED IN LATE JULY OF THIS YEAR (SEE BONN 11652).

5. FOREIGN POSITION: IN THE SECOND WEEK OF NOVEMBER

THE BUNDES BANK'S NET FOREIGN POSITION REMAINED UNCHANGED AT DM 80.7 BILLION. GERMANY'S IMF GOLD TRANCHE POSITION DECLINED BY DM 1 MILLION, HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 18 MILLION WHILE HOLDINGS OF FOREIGN NOTES AND COINS ROSE UNUSUALLY LARGE BY DM 17 MILLION. GROSS LIABILITIES INCREASED BY ABOUT DM 35 MILLION.

6. BANK LIQUIDITY: IN THE SECOND WEEK OF NOVEMBER BANK

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INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

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SIL-01 L-03 H-02 PA-02 PRS-01 ABF-01 /111 W

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R 211637Z NOV 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4566

INFO AMEMBASSY BERN

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USMISSION EC BRUSSELS

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LIQUIDITY DECLINED BY DM 2.3 BILLION. THE MAJOR FACTOR REDUCING LIQUIDITY WAS A DM 1.9 BILLION INCREASE IN

THE BANKS HOLDINGS OF RESERVES AT THE BUNDES BANK WHILE INCREASES OF DM 0.4 BILLION IN OFFICIAL NET ASSETS HELD AT THE BUNDES BANK AND OF DM 0.2 BILLION IN CURRENCY IN CIRCULATION CONTRIBUTED. OTHER FACTORS, NET, INCREASED LIQUIDITY BY DM 0.2 BILLION. THE BANKS FINANCED THE LIQUIDITY LOSS BY INCREASING BORROWINGS UNDER THE SPECIAL 10-DAY OPEN MARKET FACILITY.

7. ECONOMIC INDICATORS PUBLISHED THIS WEEK: THE INDEX OF EFFECTIVE INDUSTRIAL WAGES (1962100) DECLINED FROM 330.5 IN JULY TO 312.0 IN AUGUST. AT THE SAME TIME,
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THE RATE OF INCREASE OVER COMPARABLE 1974 LEVELS DROPPED FROM 5.4 PERCENT TO 4.7 PERCENT. AT THE END OF SEPTEMBER OUTSTANDING BUSINESS LOANS (DATA ARE AVAILABLE ONLY ON A QUARTERLY BASIS) REACHED DM 381.8 BILLION; DM 0.8 BILLION LOWER THAN AT THE END OF JUNE BUT 1.0 PERCENT HIGHER THAN AT THE END OF SEPTEMBER 1974. OUTSTANDING INSTALMENT CREDITS AND OTHER CONSUMER CREDITS REACHED DM 74.9 BILLION, DM 2.6 BILLION HIGHER THAN AT THE END OF JUNE 1974 AND 8.2 PERCENT ABOVE THEIR LEVEL AT THE END OF SEPTEMBER 1974. OUTSTANDING MORTGAGE DEBT AMOUNTED TO DM 204.4 BILLION, OR DM 3.5 BILLION HIGHER THAN AT THE END OF JUNE AND 6.3 PERCENT ABOVE ITS LEVEL AT THE END OF SEPTEMBER 1974.

HILLENBRAND

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